Weekly Economic Review

Shipments continue recovery

Manufacturing Shipments

Strong growth in chemical and petroleum products

Alberta's manufacturing shipments continued to climb in January, reaching the highest level since July 2015. The value of manufacturing shipments grew by 2.7% month-over-month (m/m) to $5.7 billion. While the monthly gains were mostly driven by higher shipments of petroleum and coal products (+8.6% m/m), shipments of chemical products (+2.2% m/m) and machinery and equipment or M&E (+8.6% m/m) also contributed to the increase. On a year-over-year (y/y) basis, growth in chemical products (+31% y/y) and machinery and equipment (+11.7% y/y) continued to accelerate in January (Chart 1). These increases, along with sharply higher petroleum and coal shipments (+55% y/y), brought overall shipments up by nearly 15% compared to last year. They have now recovered about half of the losses incurred since 2014.

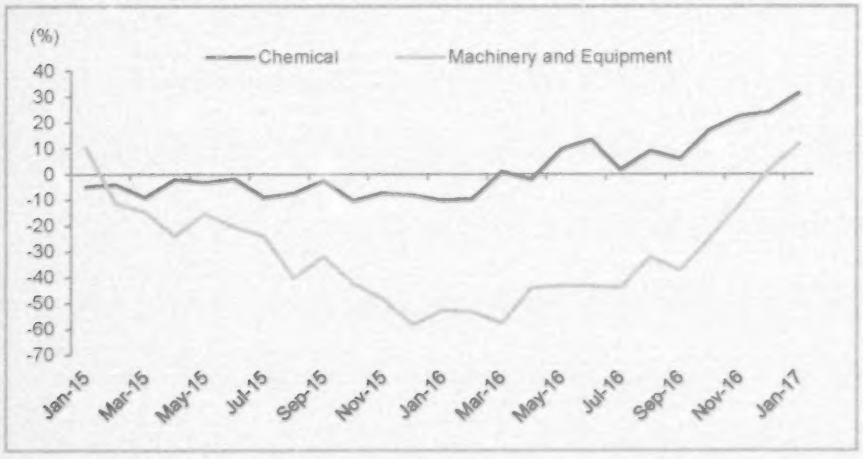
Existing Home Sales

Homes sales forge ahead

Alberta's housing market continues to show signs of improvement. Home sales increased 7.0% m/m in February to reach 5,086 units. On a year-over-year basis, home sales were up 27.5% compared to February 2015 when sales volume hovered near record lows. The housing market appears to have returned to balance as the increase in sales, combined with a fifth straight monthly decline in new listings, pushed the sales-to-new listings ratio to its highest level since May 2015. Meanwhile, the average resale house price remains stable (+1% y/y). Nationally, home sales grew by 5.2% m/m to 45,855 units, just shy of the record set in April 2016.

Chart 1: Increase in chemical and M&E shipments accelerate

Year-over-year growth in the value of chemical and M&E shipments



Source: Statistics Canada

Household Balance Sheet

Alberta's household net worth outpaces national average

Significant income growth ahead of the 2015-2016 recession boosted Alberta's household net worth. Between 2010 to 2016, Alberta's per capita net worth grew by an average of 7% per year compared with the national average of 6%. Albertans have substantially higher per capita wealth than their counterparts across the country: per capita net worth in Alberta stood at about $306,000 compared to $276,900 in Canada in 2016. Alberta's share of the total national net worth rose from 11% in 2010 to 13% in 2016. Meanwhile, households across Canada decreased their debt-to-asset ratio. In Alberta, it fell from 23% in 2010 to 17.8% in 2016. While Alberta's ratio remains higher than the national average of 16.6%, the difference has narrowed significantly.

Monetary Policy

Fed increases rates again

The US Federal Reserve (Fed) raised its key interest rate, as widely expected. The increase was prompted by signs of continued strength in the US economy and a pickup in inflation in recent quarters. The Fed hiked the federal funds target rate by a quarter of a percentage point to 0.75%-1%. This was the second increase in three months and the third rate hike since the recession in 2008. The expectation for two more rate hikes this year remains unchanged.

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Please see the *Alberta Economy- Indicators at a Glance* for a snapshot of Alberta indicators.

Alberta Government

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Treasury Board and Finance
Economics and Revenue Forecasting